



## A P P E N D I X .

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Due to the fact that, in printing the record, petitioner's computation was disarranged and not printed in proper sequence, the same is, for this Honorable Court's convenience, herewith reproduced.

In preparing such computation for filing with the Board petitioner's accountant erroneously used the amount of \$318,589.81 (revealed by the Receiver's final report filed in July, 1923) instead of \$308,000.00, as having been paid in December, 1920, to Martha Jackson; and also credited Martha Jackson's account *as of December, 1920*, with one-eighth of the \$33,401.17 refunded in *December, 1924*, by the Clerk of the District Court to the parties after ad valorem taxes had been adjusted and paid.

The difference between \$308,000.00, the amount paid by the December, 1920, contract, and \$318,589.81 (the amount shown by the Receiver's final report filed in July, 1923, to have been distributed to the Superintendent for Martha Jackson's benefit), represented interest on United States Liberty Bonds in which the funds impounded by the Receiver had been invested in 1920. Distribution was made by the Receiver to the Superintendent in Liberty Bonds. As a consequence, \$10,589.81 interest on such bonds was distributed to the Superintendent.

In the absence of the December, 1920, contract, and in the event of distribution of the impounded funds in conformity with the decrees of June 17 and September 9, 1919, after impounding \$100,000.00 with the Court Clerk to later pay ad valorem taxes, the net amount due Martha Jackson at final distribution in June, 1923 (and before the refund by the Court Clerk of \$33,401.17), determined from a retrospective analysis of the Receiver's final report, is \$103,089.48.

In the event of distribution to Martha Jackson conforming to the aforesaid decrees there would have later been

due and distributed to Martha Jackson one-eighth of the \$33,401.17 refunded by the Court Clerk, or \$4,175.14. Such refund to Martha Jackson would have been a transaction in a later year, which did not change the net amount due her in December, 1920, under her sale contract and the aforesaid decrees.

Petitioner's recomputation, based upon a retrospective analysis of the Receiver's final report (correctly computed after using the proper amounts of \$103,089.48 due Martha Jackson in December, 1920, under the final decree, and \$308,000.00 paid by the December, 1920, contract) leaves a total of \$204,910.52 assigned, relinquished and transferred to Martha Jackson by the December, 1920, contract. Petitioner's three-eighths of such revised total amount equals \$76,481.44, and with proper adjustments made throughout, such recomputation results in a net deficiency of \$286.74, as shown by the following schedules:

PETITIONER'S COMPUTATION, DOCKET 14379.

*Adjustments to Net Income.*

Net income on which deficiency, as disclosed in deficiency notice dated February 13, 1926, was based:

\$111,444.05

Deduct:

- (a) Profit on sale of leases \$4,830.95
- (b) Depletion on Jessee  
James Welsh Property 490.71
- (c) Smith-Shotwell Investment loss 7,889.52 \$13,211.18
- (d) Loss, amount relinquished to Martha Jackson and lost by petitioner in effort to remove obstacle to use and enjoyment of in-

come, per Schedule	
"A," attached:	76,841.44
Total items adjusted, (a) to (d), inclusive	90,052.62
Net income as adjusted	<u>\$ 21,391.43</u>

*Explanation of Adjustments.*

(a) and (b) These items represent additional deductions allowed pursuant to the agreement filed with the United States Board of Tax Appeals on April 13, 1939.

(c) This item represents an additional deduction allowed pursuant to the agreement filed with the Board on April 18th, 1939.

(d) Per Schedule "A" attached, based on the true facts correctly stated and stipulated and established in this case.

*Computation of Tax.*

Net income as adjusted	\$ 21,391.43
Less: Personal exemption	2,600.00
Income subject to normal tax	<u>\$ 18,791.43</u>
Normal tax at 4% on \$ 4,000.00	\$ 160.00
Normal tax at 8% on 14,791.43	1,183.31
Surtax on \$21,391.43	
on \$20,000.00	710.00
on 1,391.43 (9%)	125.23
Total tax liability	<u>\$2,178.54</u>
Income tax assessed and heretofore paid by petitioner, Account No. Dec. 300211	1,891.80
Deficiency in income tax	<u>\$ 286.74</u>

### SCHEDULE "A."

(In Support of Petitioner's Computation, Docket No. 14379.)

Computation of Amount of Money Relinquished and Paid to Martha Jackson, and Amount of Expense and Loss Sustained by O. O. Owens in Removing Obstacle to Use of Income in 1920.

Amount due Martha Jackson per court decree and contract \$111,670.74

Plus: 25% of 1/8 royalty interest from  
3-31-18 to 6-17-19, viz:

From Exhibit "F" Receiver's Report:

*25% Royalty Oil Revenue*

2nd quarter, 1918	\$ 30,061.81	
2nd quarter, 1918	20,172.45	\$ 50,234.26
3rd quarter, 1918		43,253.96
4th quarter, 1918		43,045.63
1st quarter, 1919		33,380.75
2nd quarter, 1919	45,823.86	
Less: 14/90 (period 6-17 to 6-30, in- clusive)	7,128.17	38,695.69

Total 25 % Oil revenue \$208,610.29

*25 % Gas Revenue*

2nd quarter, 1918	\$ 4,021.41	
2nd quarter, 1918	2,874.72	\$ 6,896.13
3rd quarter, 1918		9,545.69
4th quarter, 1918		11,201.11
1st quarter, 1919		8,843.44
2nd quarter, 1919	\$ 5,204.39	
Less: 14/90 (period 6-17 to 6-30, in- clusive)	809.57	4,394.82

Total 25 % Gas Revenue \$ 40,881.19

Total 25 % Oil & Gas Revenue \$249,491.48

Martha Jackson entitled to 25 % of 1/8, viz.,  
25 % of 1/2 of above 25 % fund—or 1/4th  
of 1/2 equals 1/8 of above sum

\$31,186.43

Total due Martha Jackson per decree (see (\*) Note)

\$142,857.17

Less: Receivership expense (per  
final report of J. F. Darby, Re-  
ceiver, July 31, 1920)

Receiver's salary	\$ 20,250.00
Inside expense	33,320.02
Outside expense	2,706.64
Office furniture	1,113.97
Attorneys' fees	2,350.00
Gross production tax	66,935.60

Total, J. F. Darby, Receiver, expense \$126,676.23

Brought Forward—(Total due Martha Jackson per decree)	\$142,857.17
Brought Forward—(Total Darby expense)	\$126,673.23
Receivership expense (per final report of S. L. Morley and George B. Noble, Receivers, dated June 29, 1923)	
Receivers' salaries	\$22,177.32
Inside expense	44,441.42
Outside expense	1,212.84
Office furniture	150.00
Attorneys' fees	21,000.00
Clerk of the court, to pay ad valorem taxes	\$100,000.00
Plus: Expense paying taxes	1,037.00
Expense paying taxes	1,446.72
Total taxes paid and expense	102,483.72
Total, Morley-Noble Receivership expense	\$191,465.30
Total receivership expense (one-eighth of which was charged to Martha Jackson by contract and final decree)	\$318,141.53
Martha Jackson's 1/8th part	\$ 39,767.69
Net amount due Martha Jackson per contracts and decree	\$103,089.48
Amount actually paid and relinquished to Martha Jackson per Receiver's report dated June 29, 1923	\$308,000.00
Amount relinquished to Martha Jackson	\$204,910.52
O. O. Owens' 3/8ths part of amount relinquished in 1920 to Martha Jackson and lost in effort to remove obstacle to use and enjoyment of income	\$ 76,841.44
*Note: Computation for purpose of showing Owens' portion of impounded funds at time of relinquishment:	
Amount of money in Receiver's hands belonging to O. O. Owens, December 31, 1919:	
25% royalty oil revenue	\$1,035,556.18
25% Royalty Gas Revenue	93,031.18
Total 25% oil and gas revenue per Receiver's report	\$1,128,587.36
12-1/2 % or 1/8 royalty revenue (1/2)	564,293.68
Amount due Martha Jackson per decree (without deducting 1/8th Receivership administration expense) per above	142,857.17
Balance 1/8th oil and gas royalty revenue in Receiver's hands	\$ 421,436.51
O. O. Owens' 3/8ths part after deducting amount due Martha Jackson	\$ 158,038.68